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**Local Government Committee**

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**HB 1860**

**Brief Description:** Providing a tax exemption for property that has declined in value due to shoreline or growth management regulation.

**Sponsors:** Representatives Dunn, McCune and Kretz.

**Brief Summary of Bill**

- Reduces tax liability for property reduced in value by 10 percent or more since 2003 because of regulations adopted under the Growth Management Act or the Shoreline Management Act.

**Hearing Date:** 2/6/07

**Staff:** Jessica Nowakowski (786-7291).

**Background:**

**Shoreline Management Act**

The Shoreline Management Act (SMA) governs uses of state shorelines. The SMA enunciates state policy to provide for shoreline management by planning for and fostering "all reasonable and appropriate uses." The SMA prioritizes public shoreline access and creates preference criteria that must be used by state and local governments in regulating shoreline uses. The SMA also involves a cooperative regulatory approach between local governments and the state. At the local level, SMA regulations are developed in local shoreline master programs.

All counties and cities with shorelines of the state are required to adopt master programs that regulate land use activities in shoreline and shoreland areas of the state. "Shorelines of the state" are defined in the SMA to include both "shorelines" and "shorelines of statewide significance" as defined by statute. "Shorelands" include the lands extending landward for 200 feet in all directions from the ordinary high water mark as well as floodways and contiguous floodplain areas landward 200 feet from the floodways. "Shorelands" also include all wetlands and river deltas associated with streams, lakes, and tidal waters subject to the SMA.

**Growth Management Act**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Growth Management Act (GMA) establishes a comprehensive land use planning framework for county and city governments in Washington. Jurisdictions required to fully plan under the Act must adopt internally consistent comprehensive land use plans (comprehensive plans), which are generalized, coordinated land use policy statements of the governing body. Planning jurisdictions must also adopt development regulations that are consistent with and implement the comprehensive plan.

### **Property Taxation**

Property taxes are levied by state and local governments. The county assessor determines assessed value for each property and calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district. The assessor calculates the rate so the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located.

All property must be valued at 100 percent of its true and fair value unless specifically provided otherwise by law. In addition to other statutory requirements, the true and fair value of real property for taxation purposes must be consistent with the comprehensive land use plan, development regulations under the GMA, zoning, and any other governmental policies or practices in effect at the time of appraisal that affect the use of property. An assessment may not be determined by a method that assumes a land usage not permitted under existing zoning or land use planning ordinances or statutes. Furthermore, restrictions imposed under the SMA must be considered by the county assessor in establishing the property's fair market value.

The sum of property tax rates is limited by the state constitution to a maximum of 1.0 percent of true and fair value, or \$10 per \$1,000 of market value. Property taxes that are subject to this 1 percent limitation are referred to as regular property taxes.

The Legislature has established caps on individual district rates and on the aggregate rate so as to keep the total tax rate for regular property taxes within the constitutional 1 percent limit. In addition, a district's regular property tax levy is limited by a statutory maximum growth rate that restricts the amount of tax revenue that may be collected from year to year. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of 1 percent or inflation. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, to improvements to existing property, or to changes in state-assessed valuation.

### **County Board of Equalization**

The County Board of Equalization (Board) oversees all property taxation issues. The Board must ensure that all properties in a county are valued at 100% of market value and that comparable properties are assessed at comparable values. The Board may either lower, raise, or sustain the land/building assessments. If a taxpayer is not satisfied with the Board's decision, the decision may be appealed to the Washington State Board of Tax Appeals.

### **Summary of Bill:**

Eligible regulated real property is exempt from taxation from regular property tax levies by the state, cities or towns, and counties. Eligible regulated real property is defined as any real property for which the land value has been reduced by 10 percent or more after November 20, 2003 as a

result of regulations under a master program adopted under the SMA or under an amendment to or new comprehensive plan or development regulations adopted under the GMA.

***Claim for exemption***

To establish the value reduction as the result of the regulations under the GMA or the SMA, the property owner may petition the county assessor for a reduction in the assessed value of the real property due to the restrictions. The property owner may also establish the value reduction through an appraisal report prepared by a licensed state-certified general real estate appraiser.

The value reduction must be applicable according to the value of the real property as of January 1st of the year in which the regulations were adopted. A claim for exemption must be filed within five years of the adoption of the regulation and filed with the county assessor on or before March 31st of any eligible year.

If the value reduction is established by a county assessor, the owner of property may petition the Board of the county for a change in the value reduction within 30 days of being notified of the assessor's valuation. If the value reduction is established by an appraisal report, the state, city or town, or county in which the property is located may petition the Board for a change in the value reduction established in the appraisal report within 30 days of receiving the appraisal report. Upon review by the Board of the county, board of tax appeals, or any court, the value reduction established by the appraisal report is presumed correct. The assessor must either approve or deny the exemption and notify the property owner in writing by August 1, at which time the property owner may appeal the assessor's determination.

The exemption continues until the cumulative tax savings due to the exemption equals or exceeds the reduction in value. The levy for a taxing district must be reduced as necessary to prevent exemptions from resulting in a higher tax rate than would have occurred in the absence of the real property tax exemptions given.

**Appropriation:** None.

**Fiscal Note:** Requested on February 2, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.